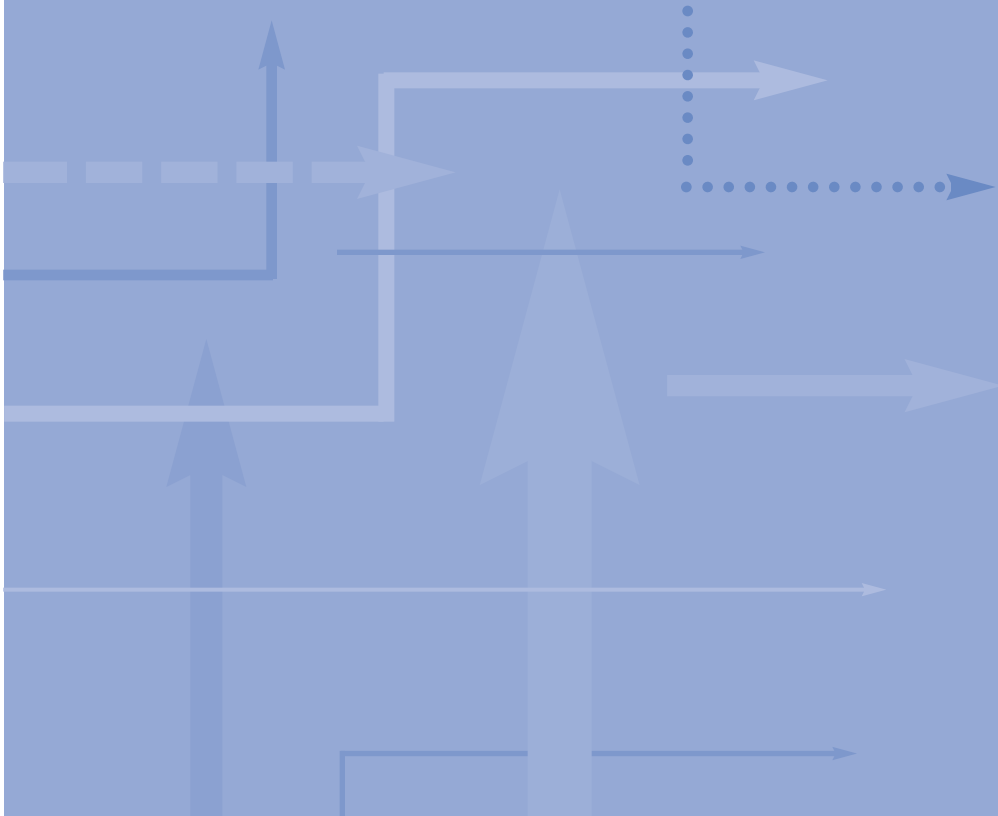




**REVISED April 10, 2006 to reflect information received regarding the
Capital Accumulation Provision and retiree health**

University of California

Decision Guide for LANL Employees



UNIVERSITY OF CALIFORNIA

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SANTA BARBARA • SANTA CRUZ

HUMAN RESOURCES AND BENEFITS

P.O. BOX 24570
OAKLAND, CALIFORNIA 94623-1570

Dear LANL Employee:

As the management of Los Alamos National Laboratory transitions to Los Alamos National Security, LLC (LANS), I would like to provide you information for the important choices you will have to make regarding your UC benefits. As you are aware, the new LANL contract goes into effect June 1, 2006.

Our goal is to make the transition as smooth as possible for you and your family. We are providing the information you need to consider: An overview of your retirement/employment decisions and related issues.

This packet also includes a retirement estimate or statement. LANS will be sending a separate communication with decision forms on which you can make your choices.

In addition, you have a number of resources available – websites with information and frequently asked questions (the LANL transition website at transition.lanl.gov and the LANS website at www.lansllc.com), employee meetings, one-on-one retirement election appointments – to help you analyze and compare your options and determine the best choice for you, given your personal situation and plans for the future.

We encourage you to take the time to review this packet and the information you receive from LANS, and attend employee meetings before you make a decision. It will be important for you to take the time to consider your decisions and any required action steps so that you make the best choices for you and your family.

It has been an honor to serve the LANL community in meeting the benefits needs of you and your family. On behalf of the University of California, thank you for your commitment to the work of Los Alamos National Laboratory. We appreciate your dedication and the contributions you are making to the national security mission of the Lab.

Sincerely,

A handwritten signature in blue ink that reads "Judith W. Boyette".

Judith W. Boyette
Associate Vice President

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Introduction

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If You're on a Leave of Absence as of May 31, 2006

If you're on an approved medical or disability leave, a leave with pay or a leave without pay as of May 31, 2006, you have the same decisions to make as an active employee.

What You Need to Do Now

1. Carefully read this UC packet **and** the information packet you receive from LANS.
2. Consider and discuss your options with your family and financial and tax advisors.
3. Review the UC/LANL Decision Checklist (page 12).
4. Attend employee meetings scheduled in March and April (see the LANL transition website at transition.lanl.gov for details).
5. After reviewing both the UC and LANS information packets, indicate your choices on the UC Decision Form in the LANS packet and return it by May 15, 2006.

Between now and May 15, 2006, you have some important choices to make. This guide provides information on University of California Retirement Plan (UCRP) decisions and other benefits you need to consider before the current Los Alamos National Laboratory (LANL) contract ends on May 31, 2006. You will also receive a separate communication from LANS. Your UCRP choices vary, depending on your age and years of service:

If you are age 50 or older with at least five years of service credit as of May 31, 2006 – which means you are eligible to retire from the University of California Retirement Plan (UCRP) – your UCRP choices are to:

- Retire from UCRP
- Elect inactive vested status in UCRP
- Elect to be a transferring vested employee

If you're under age 50 with at least five years of service, your UCRP choices are to:

- Elect inactive vested status in UCRP
- Elect to be a transferring vested employee

If you are any age with less than five years of service, your UCRP choice is to:

- Elect to be a transferring employee **in TCP1 or TCP2**

You also may have choices to make and actions to take regarding your **Capital Accumulation Provision (CAP) balance**, Retirement Savings Program balances or any outstanding loans.

You have many information resources available to you. See page 11 for more details.

Important Note About Your Employment Status

The information in this packet is based on your employment status as of January 2006. If your status changes before May 31, 2006, your eligibility for benefits and your options may change. If you experience a status change and have questions, contact the LANL Benefits Office at 505-667-1806.

LANS will be sending you an Offer Letter package that will include both a UC Decision Form and a LANS Compensation Package Election Form. You should complete both forms and send them to LANS. LANS will review both forms for consistency, and then forward the UC form to UC HR/Benefits. If you do not return your UC Decision Form by May 15, 2006, and you are a vested member of UCRP, 1) you will become an inactive member and 2) your sick leave will be transferred to LANS (if you accept a job with LANS).

Your Retirement and Employment Decisions

Your UCRP decision and your LANS employment decision are intricately connected. You will want to understand how your UCRP choices are linked with your employment decision. This section provides an overview of your UCRP retirement options, which vary depending on your age, vesting status, whether you choose to retire from UCRP or elect inactive vested status in UCRP (if eligible), and whether you'd like to transfer employment to LANS.

It is also important to review how UCRP works. See the *UCRP Retirement Handbook*, available from the LANL Benefits Office or on the At Your Service website (atyourservice.ucop.edu/forms_pubs/misc/retirement.pdf).

LANS Retirement Plans

LANS is offering two total compensation plans with different retirement plans:

- **Total Compensation Plan 1 (TCP1)** includes a defined benefit plan that is designed to be substantially equivalent to UCRP.
- **Total Compensation Plan 2 (TCP2)** includes a market-driven defined contribution plan.

After the transition, LANS will be the sponsor of retiree medical, dental and legal benefits for current and future retirees.

What Happens to Your Sick Leave and Vacation

Sick Leave Conversion to Service Credit

Since UCRP allows for unused sick leave to be converted to UCRP service credit in some instances, you will want to consider how this aspect of the plan affects your situation.

Employment Decision	Impact on Sick Leave Conversion to Service Credit
If you accept a position with LANS and enter TCP1...	Your sick leave will automatically be transferred to LANS and not be converted to service credit in UCRP.
If you choose inactive status in UCRP and accept a position with LANS...	You have two choices: 1. Transfer your sick leave to LANS. It will not convert to service credit in UCRP. 2. Leave your sick leave with UC. If you retire and choose a monthly pension from UCRP within 120 days, your sick leave will convert to service credit in UCRP. If you do not retire within 120 days, you will lose your UC sick leave balance.
If you do not accept a position with LANS, retire within 120 days of separating from UC, and choose a monthly pension...	Any accumulated sick leave is converted to UCRP service credit at the rate of eight hours of sick leave for one day of service credit.
If you retire by June 1, 2006, and choose a monthly pension from UCRP...	Your sick leave is converted to UCRP service credit even if you are rehired by LANS.
If you retire and choose a lump-sum cashout from UCRP...	Your sick leave is not converted to service credit in UCRP.

Your Vacation Balance

You will receive more information about your vacation balance in a separate mailing from the LANL Payroll Office.

Keep in mind that you will receive a separate communication from LANS. It is important to review both information packets before making your decision by May 15, 2006.

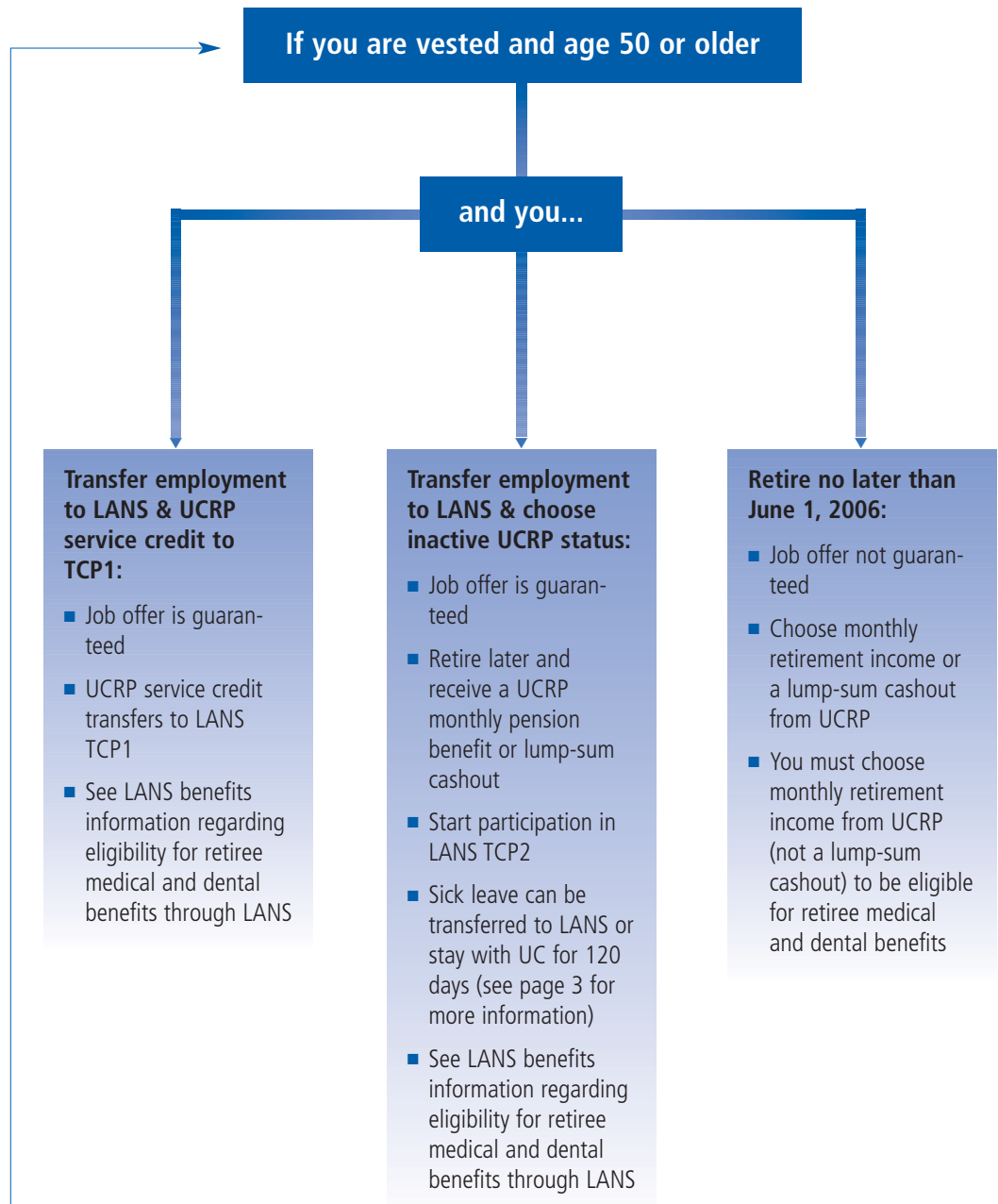
Consider Your Retirement Estimate or Statement

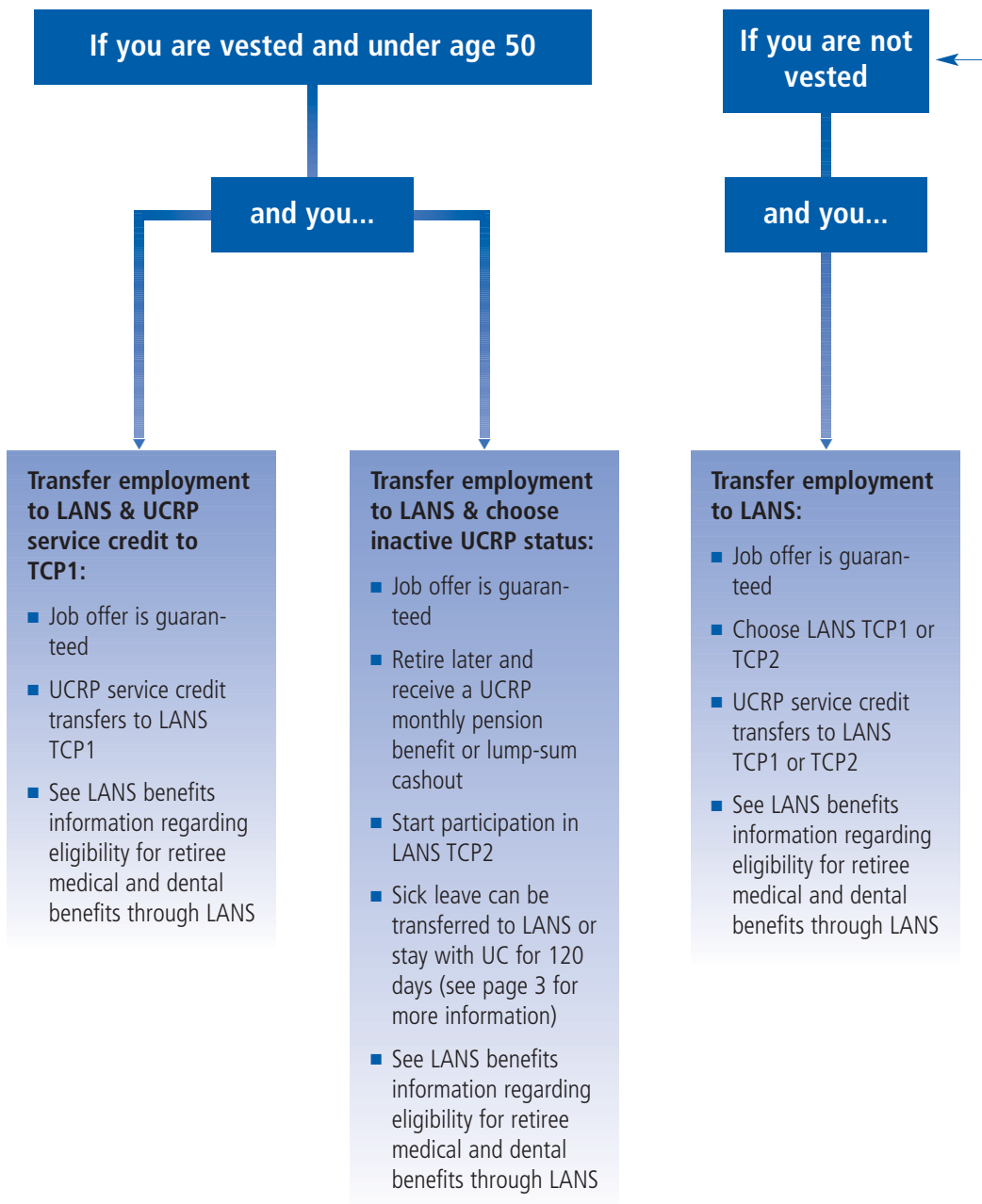
If you are vested and at least 50 years old, your packet includes a UCRP retirement estimate as of June 1, 2006. If you are vested and under age 50, your packet includes a retirement estimate projected to age 60, assuming you elect inactive status.

To model additional UCRP retirement estimates based on a date of your own choosing, you can use the Retirement Calculator on the At Your Service website (atyourservice.ucop.edu/online_actions/ucrpcalc/estimator.html).

If you are not vested, you can view your service credit and CAP balance (if any) on the statement enclosed in your packet. Keep in mind that if you immediately accept a position and transfer to LANS, your service credit and sick leave will be transferred directly to LANS TCP1 or TCP2.

Employment and Retirement Decision Charts





Your Health & Welfare Benefits

REVISED April 10, 2006 to reflect information received regarding the Capital Accumulation Provision and retiree health

As a LANL employee who's eligible for retirement (at least 50 years old with five years of service credit), should I consider retiring now?

When you should retire is a personal decision, based on your circumstances and your expectations for the future. Be sure to review all your options, use the information available to you and discuss your decision with your family and financial and tax advisors.

LANS will provide information about LANS health and welfare benefits.

If you choose to retire from UCRP **and choose a monthly pension** by June 1, 2006, you may be eligible for retiree medical, dental and/or legal coverage that will be provided by LANS. To be eligible, you must be currently enrolled and continue enrollment up to your retirement date. In addition, you must meet the eligibility criteria below. Employer contributions for medical and dental coverage are explained below. You continue to pay the premium for legal coverage.

Retiree Medical and Dental: UCRP Eligibility and Contribution Reminder

If you entered UCRP before January 1, 1990, and you have not had a break in service of more than 120 days, you will receive 100 percent of the maximum employer contribution toward the medical and/or dental plan's monthly premium. You are eligible if:

- You retire before age 55 and have at least 10 years of UC service credit (five years for Safety employees).
- You retire at age 55 or later and you have at least five years of UC service credit.

If you entered UCRP on or after January 1, 1990, or were rehired after that date following a break in service of more than 120 days, you will receive a percentage of the maximum employer contribution toward the medical and/or dental plan's monthly premium. The percentage corresponds to your years of UC service credit as shown to the right.

Retiree Medical and Dental Graduated Eligibility

Years of Member's UC Service Credit	Percentage of Employer Contribution
0-4 years	Not eligible for retiree medical/dental coverage
5-9 years	If age plus years of service credit equal at least 75, then 50%; otherwise not eligible
10 years	50%
11-20 years	Increases in 5% increments, up to 100%

Decision Checkpoint: Retiree Medical, Dental and Legal

After the transition, retiree medical, dental and legal benefits will be sponsored by LANS. LANS has indicated that all current LANL retirees, as well as those who retire from UCRP as part of the transition, will be offered retiree medical, dental and legal benefits from LANS based on UCRP eligibility rules (see above). After the transition, LANS will determine eligibility for and provisions of retiree medical, dental and legal benefits.

COBRA Continuation Coverage and HIPAA Certificate of Creditable Coverage

Under the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), you may elect and pay for continuation of health coverage upon the end of employment with the University of California. In addition, you will have the right to receive a certificate of creditable coverage under the Health Insurance Portability and Accountability Act (HIPAA) to document evidence of prior medical coverage. If you become eligible, you will be provided with the COBRA and HIPAA documents at the appropriate time and in the appropriate manner.

Other Important Decisions

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Capital Accumulation Provision (CAP) Balance

The CAP is a supplemental retirement program benefit based on allocations credited to an account in UCRP as of certain dates. Each allocation was calculated as a percentage of your covered compensation actually earned and paid during a specified period. Your CAP balance continues to accrue interest until you take a distribution or roll it over to another plan or IRA. Not all employees will have a CAP balance.

Decision Checkpoint: CAP Balance

The distribution options for the UCRP Capital Accumulation Provision (CAP) balances are:

- If you retire from UCRP, you are required to take a distribution/rollover of your CAP.
- If you are not vested in UCRP, transition to LANS and elect TCP2, you are required to take a distribution/rollover of your CAP.
- If you elect inactive vested status in UCRP, you may choose to take a distribution/rollover of your CAP at any time or leave it with UC. This applies whether you transition employment to LANS in TCP2 or do not accept a job offer from LANS.
- If you transition to LANS and elect TCP1, which means your service credit from UCRP will be transferred to the LANS Pension Plan One, you are required to leave your CAP with UC until you terminate employment from LANS.

CAPs that remain with UC will continue to accrue earnings at the rate of 8.5% or UCRP's assumed earnings rate (currently 7.5%), depending on the date of the CAP allocation.

There are two ways to receive your CAP balance. You can:

- Take a distribution of your balance paid directly to you (Note: there are tax consequences and sometimes penalties if you do not roll over your balance. Please consult your financial and tax advisors for more information.) or
- Roll over the balance to your UC DC Plan, 403(b) Plan or 457(b) Plan, to your LANS 401(k) Plan or to an IRA and defer your taxes until you begin receiving payments.

Action Item! Handling Your CAP Balance

If you are eligible and want to initiate a distribution or rollover of your CAP balance, complete a *Distribution Request CAP Balance* form (UBEN 142CAP). You can pick up a form from the LANL Benefits Office or download it from the LANL Benefits website.

If you are retiring, indicate your choice on the *UCRP Retirement Election Form*.

If you elect inactive status and do not initiate action on your CAP balance, it will remain with UC.

Note: If you initiate your request before June 1, 2006, it cannot be processed until you are separated from LANL. You will receive your distribution in July.

For more details about CAP, see the Summary Plan Description for your membership classification (atyourservice.ucop.edu/forms_pubs/categorical/spd.html).

UC Retirement Savings Program

The UC Retirement Savings Program includes the Defined Contribution Plan (DC Plan), the Tax-Deferred 403(b) Plan (403(b) Plan) and the 457(b) Deferred Compensation Plan (457(b) Plan). Contributions to the Retirement Savings Program stop with your final payroll check from LANL. Fidelity Investments Tax-Exempt Services Company (FITSCo) provides recordkeeping and account services for these plans. This section reviews your potential decisions and action items regarding these plans.

Decision Checkpoint: Changing Your 403(b) and/or 457(b) Plan Contributions

You can begin contributions to the 403(b) Plan or make changes in current contributions until April 28, 2006. Keep in mind that your combined contributions to the UC 403(b) Plan and the LANS 401(k) Plan cannot exceed the individual annual limit of \$15,000 for 2006 (\$20,000 if you are age 50 or older at any time during 2006).

If you would like to maximize your retirement contributions in 2006, you may want to enroll in or increase your contributions to the 457(b) Plan to take advantage of the additional savings opportunities. You may contribute to the 457(b) Plan only for the duration of the current contract ending on May 31, 2006.

Action Item! Start or Increase Contributions to the 403(b) and/or 457(b) Plans

To enroll in or change contributions, contact FITSCo at 1-866-682-7787 or visit www.netbenefits.fidelity.com.

Please note that contribution changes and new enrollments for the 457(b) Plan affect the following months' earnings. So, if you enroll in the plan by March 31, 2006, the deductions for contributions will start with your April 13, 2006 paycheck.

Contribution changes, new enrollments and new 403(b) loan applications cannot be accepted after April 28, 2006.

Decision Checkpoint: Your Retirement Savings Program Balances

You have different options for your Retirement Savings Program balances, depending on the amount in each of your Plans on May 31, 2006.

If Your Balance is \$2,000 or More

If your balance in an individual Plan (e.g., 403(b), 457(b) or DC Plan) is \$2,000 or more after the transition, you will be able to leave your funds in that Plan. After the transition, you will no longer be able to contribute to these Plans, but you will be able to rollover money into the Plans and move money among all the investment options in the Plans. You also have the option to take a distribution, including a rollover to a LANS plan, another eligible employer plan or an IRA.

If Your Balance is Less than \$2,000

If your balance in an individual Plan is less than \$2,000 after the transition, you must take a full distribution from the Plan or elect a rollover to a LANS plan, another eligible employer plan or an IRA.

If You Do Not Provide Distribution Directions

If your individual Plan balance is more than \$1,000 but less than \$2,000, and you do not provide distribution or rollover directions, your balance will be transferred to an IRA and held on your behalf.

If your individual Plan balance is \$1,000 or less, and you do not provide distribution or rollover directions, your balance will be mailed directly to you.

Action Item! Arrange a Distribution or Rollover for Plan Balances Less Than \$2,000

If your balance is less than \$2,000, make arrangements for a distribution or a rollover to another eligible employer plan or an IRA by contacting FITSCo at 1-866-682-7787 or online at www.netbenefits.fidelity.com.

Decision Checkpoint: If You Have an Outstanding 403(b) Loan

If you currently have a 403(b) loan, you have two options:

- Repay the outstanding balance in full, or
- Arrange monthly electronic funds transfers (EFTs) with FITSCo.

The loan repayment terms will not change.

You may not initiate a new 403(b) Plan loan after April 28, 2006.

Action Item! Set Up Your Loan Payment Arrangements

If you have an outstanding loan, contact FITSCo at www.netbenefits.fidelity.com or 1-866-682-7787 to make the necessary arrangements by May 31, 2006.

Please note: If you do not take action regarding your loan payment arrangements, the outstanding principal will be reported as a distribution and is subject to income tax and (if applicable) state and federal tax penalties.

Why won't the 457(b) Plan be replicated at LANS?

LANL employees have been able to participate in the 457(b) plan by virtue of UC's status as a State governmental unit; however, Internal Revenue Service rules do not allow private employers such as LANS to offer a 457(b) plan.

Your Decisions: Quick Review



Important Note If You Choose to Retire

UCRP retirement requires additional action. Be sure to:

- Refer to the UC Retirement Handbook (atyourservice.ucop.edu/forms_pubs/misc/retirebook.pdf) for more information on the process;
- Attend a UCRP Basics employee meeting;
- Sign up for a Personal Retirement Profile (PRP) group session through the LANL Benefits Office; and
- Schedule a one-on-one retirement election meeting through the LANL Benefits Office.

If you are vested *and* age 50 or older, you need to consider:

- Transferring employment to LANS
- Whether to retire from UCRP or elect inactive vested status in UCRP
- Your options for retiree medical, dental and legal coverage
- Your options for your CAP balance
- Your options for your DC Plan, 403(b) Plan and/or 457(b) Plan balances

If you are vested *and* under age 50, you need to consider:

- Transferring employment to LANS
- Whether to choose inactive vested status in UCRP
- Your options for retiree medical, dental and legal coverage
- Your options for your CAP balance
- Your options for your DC Plan, 403(b) Plan and/or 457(b) Plan balances

If you are any age but not yet vested in the UCRP, you need to consider:

- Transferring employment to LANS
- Your options for your CAP balance, if any
- Your options for your DC Plan, 403(b) Plan and/or 457(b) Plan balances

After you review this packet and the information packet from LANS, indicate your decisions on the UC Decision Form in your LANS packet and return the form to LANS by May 15, 2006.

Your Information Resources

You have a number of resources to help you make your decisions. Be sure to:

- Visit the LANL transition website (transition.lanl.gov) and the LANS website (www.lansllc.com).
- Refer to the *UC Retirement Handbook* (atyourservice.ucop.edu/forms_pubs/misc/retirebook.pdf) and Summary Plan Descriptions (atyourservice.ucop.edu/forms_pubs/categorical/spd.html).
- Attend employee meetings. See the LANL transition website (transition.lanl.gov) or the LANL Benefits Office website (www.lanl.gov/worklife/benefits/retirement/workshops.shtml) for the meeting and counseling schedule.
- If you have questions about your specific retirement situation, please attend one of the weekly UCRP information presentations or visit the LANL Benefits Office website (www.lanl.gov/worklife/benefits/retirement/workshops.shtml) for more information.

UC/LANL Decision Checklist

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Learn More...

- ☐ Carefully review the contents of this *Decision Guide* and the information you receive from LANS
- ☐ Review your personalized retirement estimate or statement
- ☐ Attend a UCRP Basics employee meeting
- ☐ Attend a Personal Retirement Profile (PRP) group meeting
- ☐ If you plan to retire, sign up for a one-on-one retirement election appointment
- ☐ Access other information resources as needed (see page 11)
- ☐ Consider and discuss your options with your family and financial and tax advisors

Take Action...

- ☐ **Decide on your CAP balance.**
 - If you are **eligible and want to take your CAP balance**, complete a *Distribution Request CAP Balance* form (UBEN 142CAP) to initiate a distribution or rollover of your CAP balance. This form is available from the LANL Benefits Office or the LANL Benefits website (see page 7 for more information).
 - If you are retiring, indicate your choice on the *UCRP Retirement Election Form*.
- ☐ **Consider starting or increasing contributions to the 403(b) and/or 457(b) Plan.**
 - To enroll in or change contributions, contact FITSCo at 1-866-682-7787 or online at www.netbenefits.fidelity.com. Changes and new enrollments cannot be accepted after April 28, 2006 (see page 8 for more information).
- ☐ **Consider your Retirement Savings Program distribution and loan requirements.**
 - If your balance in an individual plan is less than \$2,000, you should arrange a distribution or rollover by contacting FITSCo at 1-866-682-7787 or online at www.netbenefits.fidelity.com (see pages 8-9 for more information).
 - If you have a loan from your 403(b) Plan, set up loan payment arrangements by contacting FITSCo at 1-866-682-7787 or online at www.netbenefits.fidelity.com (see page 9 for more information).
- ☐ **Complete and send in the UC Decision Form in your LANS packet to LANS. See the LANS packet for return options.**

Take Action by May 15, 2006!

Privacy Notifications

STATE

The State of California Information Practices Act of 1977 (effective July 1, 1978) requires the University to provide the following information to individuals who are asked to supply information about themselves.

The principal purpose for requesting information on the UC Decision Form, including your Social Security number, is to verify your identity, and/or for benefits administration, and/or for federal and state income tax reporting. University policy and state and federal statutes authorize the maintenance of this information.

Furnishing all information requested on this form is mandatory. Failure to provide such information will delay or may even prevent completion of the action for which the form is being filled out. Information furnished on this form may be transmitted to the federal and state governments when required by law.

Individuals have the right to review their own records in accordance with University personnel policy and collective bargaining agreements. Information on applicable policies and agreements can be obtained from lab or Office of the President Staff and Academic Personnel Offices.

The official responsible for maintaining the information contained on this form is the Associate Vice President-University of California Human Resources and Benefits, 1111 Franklin Street, Oakland, CA 94607-5200.

FEDERAL

Pursuant to the Federal Privacy Act of 1974, you are hereby notified that disclosure of your Social Security number is mandatory. The University's record keeping system was established prior to January 1, 1975 under the authority of The Regents of the University of California under Article IX, Section 9 of the California Constitution. The principal uses of your Social Security number shall be for state tax and federal income tax (under Internal Revenue Code sections 6011.6051 and 6059) reporting, and/or for benefits administration, and/or to verify your identity.

By authority of the Regents, University of California Human Resources and Benefits, located in Oakland, administers all benefit plans in accordance with applicable plan documents and regulations, custodial agreements, University of California Group Insurance Regulations, group insurance contracts, and state and federal laws. No person is authorized to provide benefits information not contained in these source documents, and information not contained in these source documents cannot be relied upon as having been authorized by the Regents. Source documents are available for inspection upon request (1-800-888-8267). What is written here does not constitute a guarantee of plan coverage or benefits – particular rules and eligibility requirements must be met before benefits can be received.

The Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) provides for continued coverage for a certain period of time at applicable monthly COBRA rates if you, your spouse, or your dependents lose group medical, dental, or vision coverage because you terminate employment (for reasons other than gross misconduct); your work hours are reduced below the eligible status for these benefits; you die, divorce, or are legally separated; or a child ceases to be an eligible dependent. Note: The continuation period is calculated from the earliest of these qualifying events and runs concurrently with any other UC options for continued coverage. See your Benefits Representative for more information.

In conformance with applicable law and University policy, the University is an affirmative action/equal opportunity employer. Please send inquiries regarding the University's affirmative action and equal opportunity policies for staff to Director of Diversity and Employee Programs, University of California Office of the President, 300 Lakeside Drive, Oakland, CA 94612 and for faculty to Director of Academic Affirmative Action, University of California Office of the President, 1111 Franklin Street, Oakland, CA 94607.

